



# Proposed FY 2023 Budget

Charting a Long-Range Plan for Prosperity

July 1, 2022 – June 30, 2023









# Presentation Overview



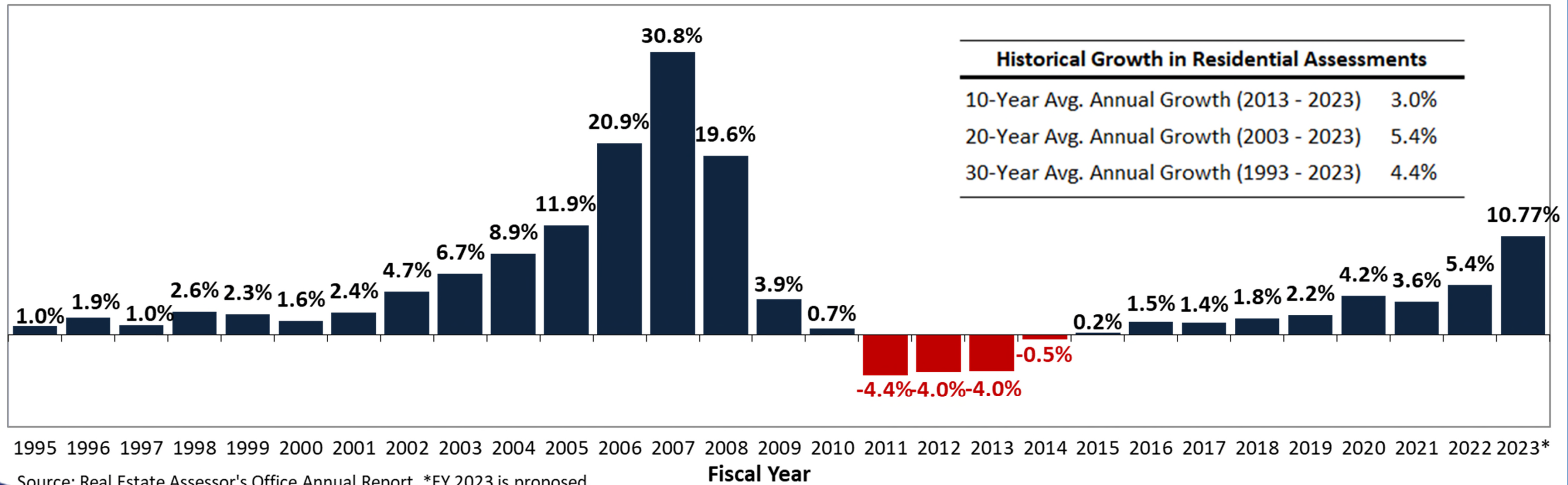
# Economic Outlook

# Revenue Growth is Strong

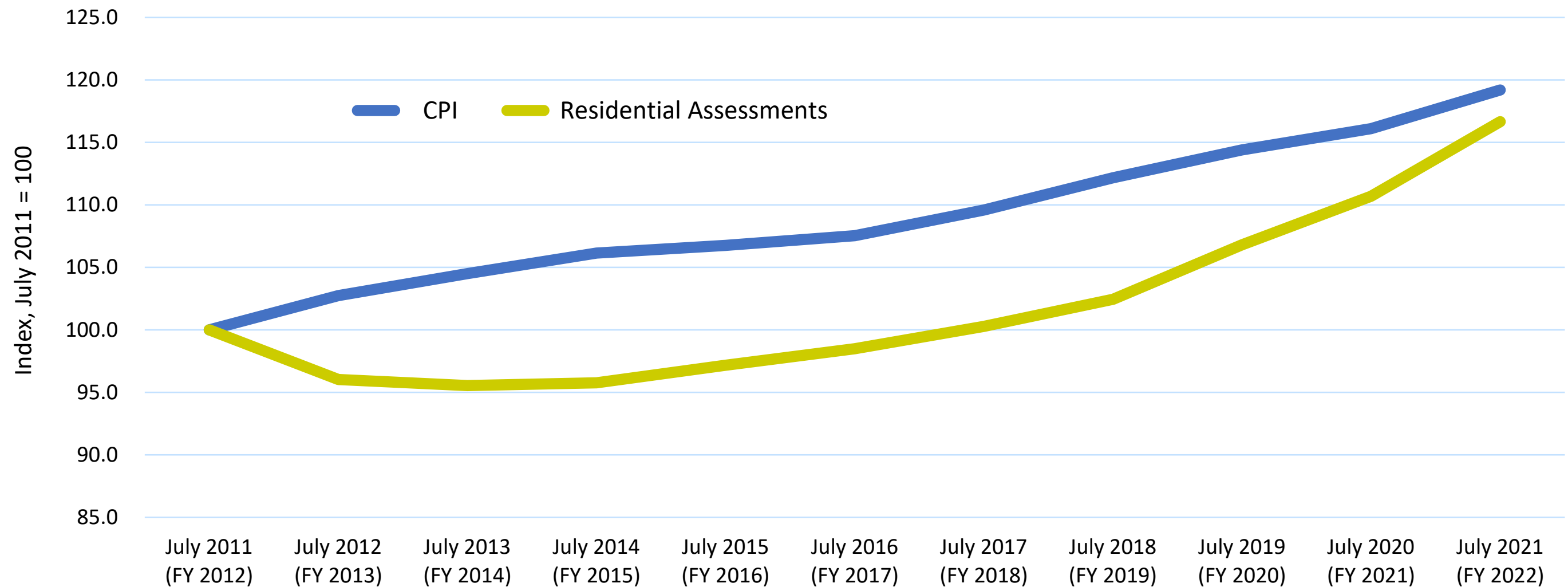
- FY 2022 Revenue Outperforming Budget
  - Sales, Meals, Hotel, & Personal Property Taxes leading the way
  - Personal Property Tax collections projected at \$10M over budget
    - Council providing relief that will give back more than half to residents
- FY 2023 Revenue projected above pre-COVID estimates
  - Real estate assessment growth @ 8.6 percent in FY 2023
  - Consumption tax revenue (sales, meals, hotel, admissions) expected to be strong
    - Patriotic Festival coming, traditional festival lineup to return

# Residential Real Estate Assessments

Annual Percent Change of Residential Real Estate Assessments

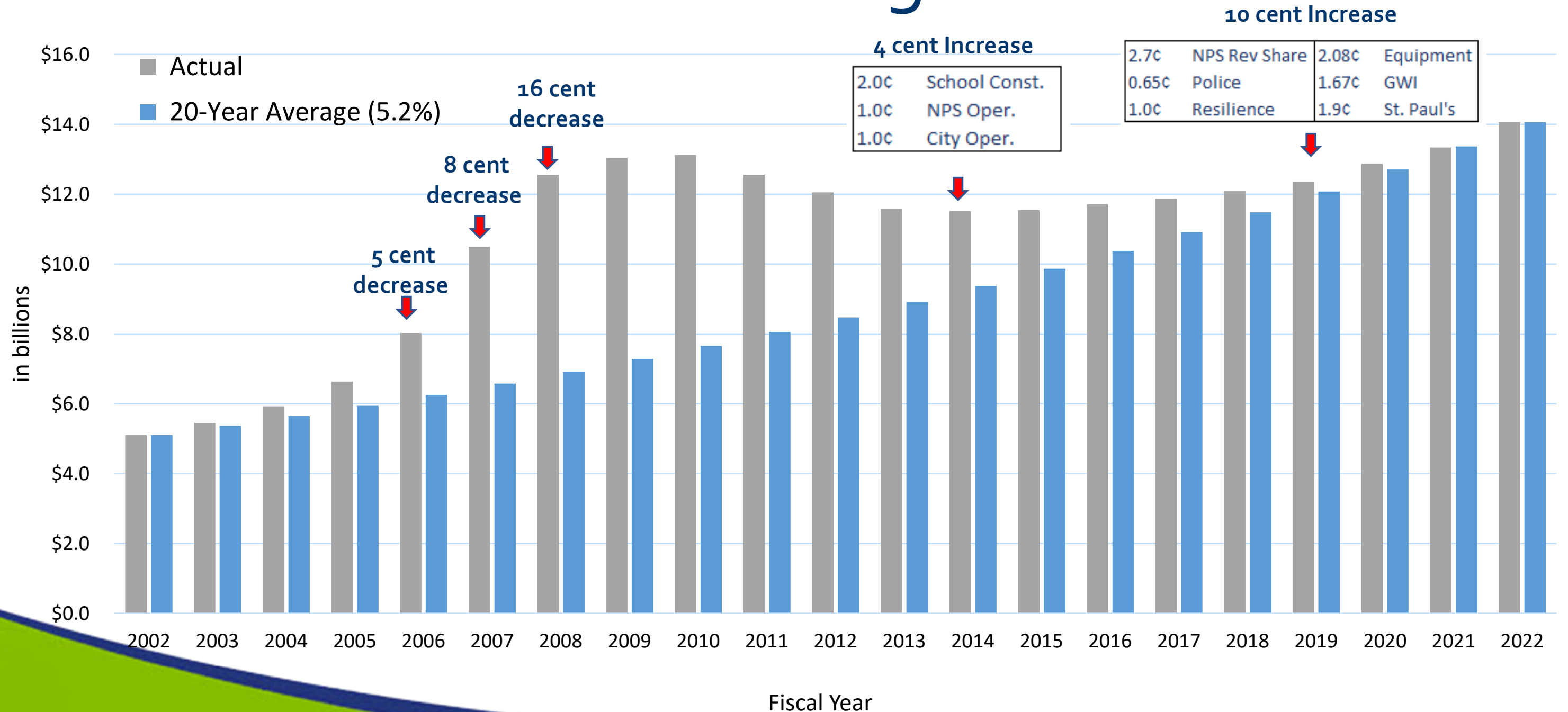


# Ten-Year Growth in Residential Assessments below CPI



CPI: 12-month average of the CPI-U (not seasonally adjusted) in the period ending in July  
Residential Assessments: assessed value of residential properties in the July 1 landbook

# Residential Assessments: Actual and Average Growth





# Economic Environment is Driving Historically High Expenditure Growth

1. Employee recruiting and retention extremely competitive
  - Extremely tight labor market pushing costs and expectations higher
  - Most acutely felt in positions that provide “Core” government services
    - Police Officers, Refuse Collectors, Lifeguards, Equipment Operators, etc
  - Unlikely to wane in FY 2023
2. General inflation + pandemic specific expenses = volatile cost increases
  - Energy costs spiking (fuel, natural gas, electricity)
  - Contractual costs on IT infrastructure investments
  - Contractual costs increases due to increase in Virginia Minimum Wage
  - Construction costs escalations

# Rising Energy Costs

## Electricity and Natural Gas

Notified of impending rate  
increases beginning  
on July 1, 2022



## Gasoline and Diesel

Gas prices rising daily  
Projecting 30% increase

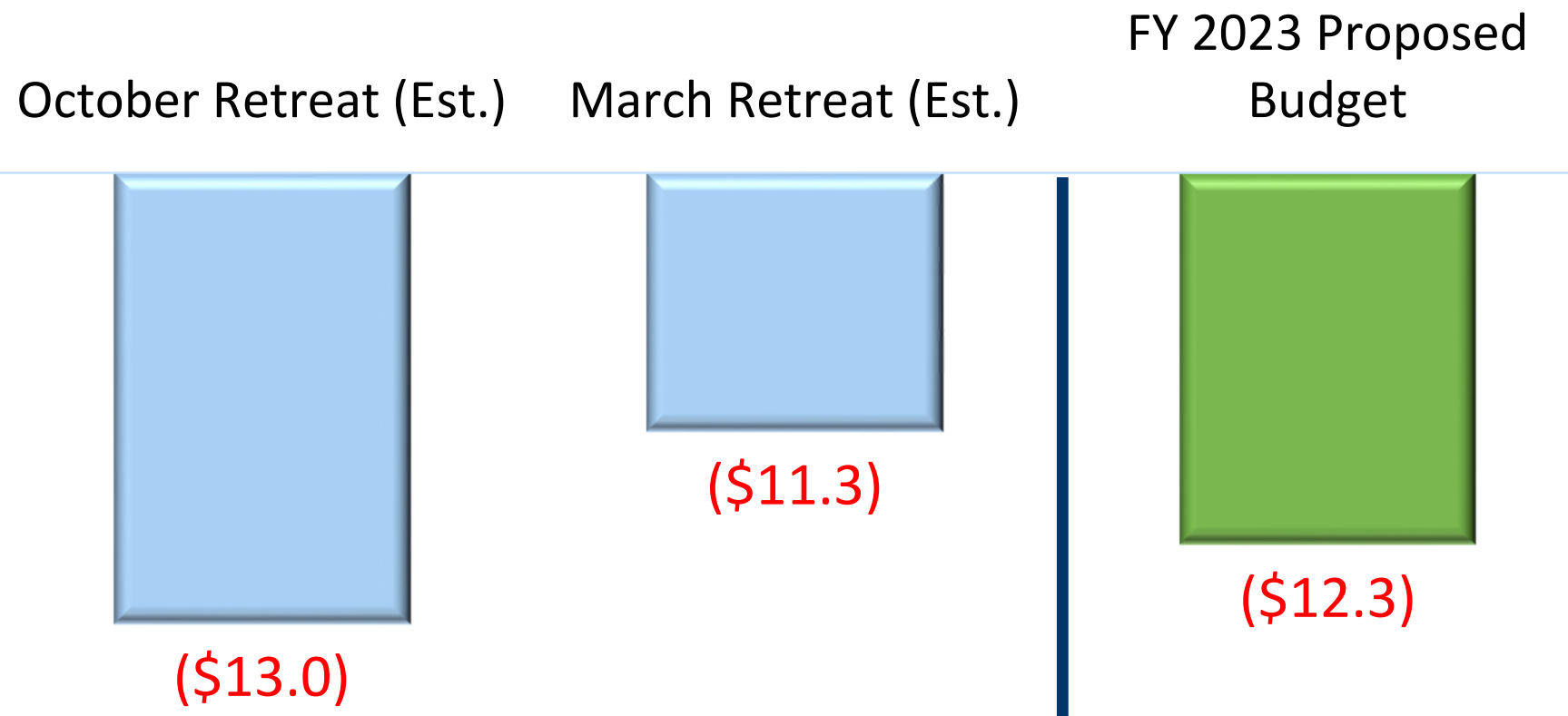


Type	General Fund Increase	All Funds Increase
Electricity	\$1,160,565	\$1,494,557
Natural Gas	\$898,255	\$920,180
Gasoline and Diesel	\$1,728,524	\$3,634,047
Energy Cost Reserve	\$500,000	\$500,000
<b>Total</b>	<b>\$4,287,344</b>	<b>\$6,548,784</b>

# FY 2023 Structural Deficit

(gap between ongoing revenues and ongoing expenditures, in millions)

## FY 2023 Structural Deficit



- Structural Deficit in-line with projections
- Funded with Continuity of Services Set-aside / FY 2022 budget savings



# Five-Year Forecast From Retreat

(in millions)

## General Fund Operating Budget Forecast

Scenario: *Baseline*

Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
On-going Revenue	\$739.5	\$755.1	\$799.8	\$816.7	\$834.8
On-going Expenditures	\$750.8	\$774.2	\$809.2	\$826.4	\$841.2
<b>Structural Surplus/(Deficit)</b>	<b>(\$11.3)</b>	<b>(\$19.1)</b>	<b>(\$9.4)</b>	<b>(\$9.7)</b>	<b>(\$6.4)</b>
<b>Cumulative Surplus/(Deficit)</b>	<b>(\$11.3)</b>	<b>(\$30.4)</b>	<b>(\$39.8)</b>	<b>(\$49.5)</b>	<b>(\$55.9)</b>

- Use of \$48 million of ARPA funds and \$8 million of FY 2022 surplus can close the structural gap under these assumptions

# Five Year Forecast

- Moderate revenue growth after this FY 2023 revenue spike
- Recurring structural deficits; begins to shrink in FY 2025, manageable by FY 2027
  - Council's Financial Policies commit to structural balance as a fiscal goal
- Forecast indicates a combo of ARPA Continuity of Services funds & budget savings sufficient to close the cumulative five-year gap with:
  - No reduction to services
  - No tax rate increases
- Will continue to monitor results and refine forecast

# Budget Overview and Guiding Principles



## Budget Overview

Proposed FY 2023 Financial Plan	
Fund	Proposed Budget
General Fund	\$1,005,474,433
Enterprise Funds	\$188,569,726
Special Revenue Funds	\$50,928,594
Internal Service Funds	\$117,374,103
<b>Total Operating Funds</b>	<b>\$1,362,346,856</b>
Capital Budget	\$239,380,200
<b>Total Operating and Capital Funds</b>	<b>\$1,601,727,056</b>
Annual Plan for HUD Block Grants	\$6,431,703
Annual Grants Plan	\$50,326,212
<b>Total Financial Plan</b>	<b>\$1,658,484,971</b>

# Guiding Principles for FY 2023 Proposed Budget

- Fund the right services for today and tomorrow rather than focus on the pre-COVID status quo
- Strengthen our ability to recruit and retain the employees that provide core government services
  - Invest in compensation and benefits initiatives that matter to a modern workforce
- Build a leaner more focused government
  - Leverage the lessons of the pandemic to deliver services more efficiently and effectively
  - Expand services and personnel to address Council Priorities or unmet needs

# Budget Highlights



No Tax Rate or Fee increases




Five Percent Wage Increase



\$18/Hr. Minimum Wage for Permanent Employees (effective Jan 2023)



\$8.8M and 85 FTEs to Enhance Direct Services to Residents



\$4.8M and 23 FTEs to Improve Organizational Effectiveness



\$10M+ Increase in Local Contribution to NPS – Largest in Memory



\$9.6M to Purchase 104 Vehicles / Pieces of Equipment



\$4M to improve hardware and software systems



# General Fund Staffing Comparison

83 Fewer FTEs now than pre-COVID

**FY 2020  
Adopted**

4,035  
Permanent FTEs

4,312  
Total  
FTEs

277  
Temporary FTEs

**FY 2023  
Proposed**

4,103  
Permanent FTEs

4,229  
Total  
FTEs

126 Temporary  
FTEs

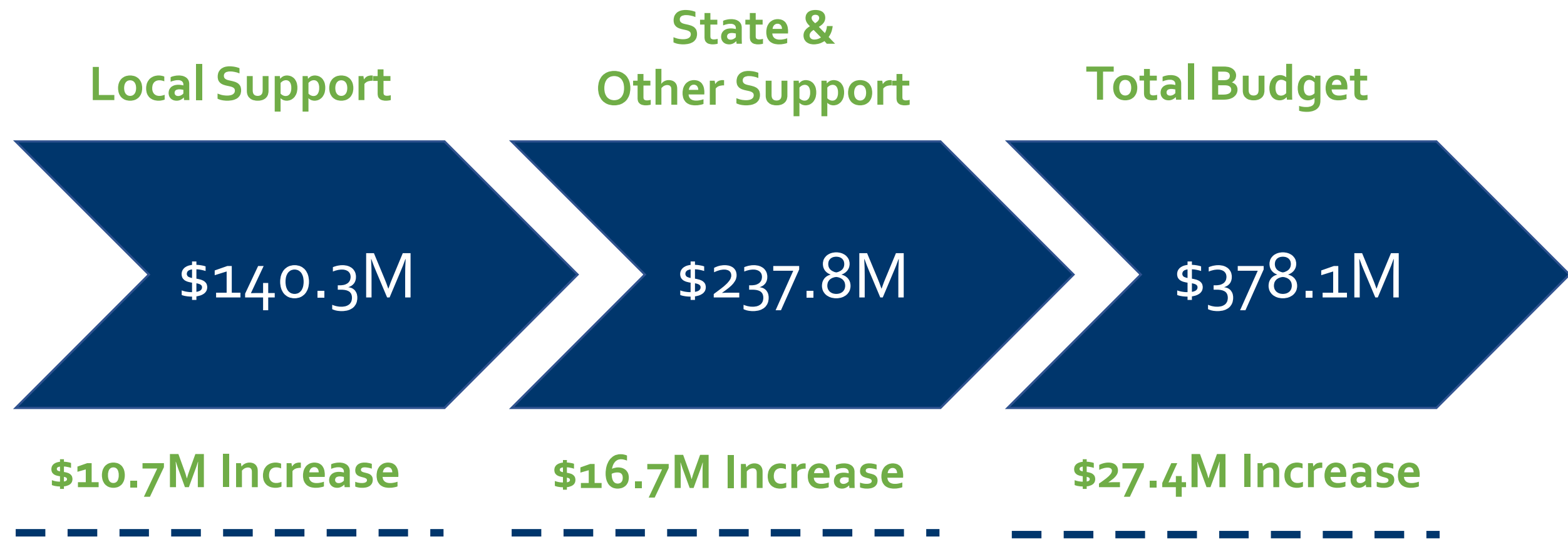
***FY 2023 has more than 50 FTEs associated with services that didn't exist in FY 2020***

***The Center - Litter Crews - Business Compliance Unit***

Temporary FTEs calculated using total temp funding & average temp wage

# Norfolk Public Schools

# Norfolk Public Schools Operating Budget



- Largest increase in local support in recent memory
- Tremendous revenue growth for NPS should allow for generational improvements in the system



# Norfolk Public Schools

## Actions in the Superintendent's Proposed Budget

- Increase in teacher starting pay from \$47,200 to \$49,500
- 5.8 percent average salary increase for teachers
- 7.5 percent average salary increase for classified employees
- 4.2 percent average salary increase for administrators

# Proposed FY23 Operating Budget

# Investing in Team Norfolk

1

## Salary Increase

Five percent general wage increase for all positions effective July 2022.

2

## No Increase in Healthcare Costs

The city will pay the entire cost of the six percent premium increase. There will be no increase to your share of health insurance premiums.

3

## Living Wage Increase

Living Wage increase to \$18/hr. for all permanent employees and \$15/hr. for all temporary employees effective January 2023.

4

## Paid Family Leave

Paid Family Leave Policy providing 6 weeks of paid leave to allow for baby bonding time for both parents and for staff who have special care needs for elderly or other family members. You will need to be on FMLA to access. Full policy available after July 1.

5

## Dependent Care Benefit

Contribution of up to \$2,500 annually as a match to your Dependent Care Flexible Spending Account (FSA) for employees with qualifying childcare or dependent care expenses. You will be able to sign up during next year's benefits open enrollment.

6

## CDL Stipend

\$5,000 annual stipend for employees with a Commercial Driver's License (CDL), if your job requires it starting July 1.

### Other Initiatives:

- Increase Default employee contribution to 457 plan from one to two percent in July
- Expand DROP beyond NPD and NFR to all eligible NERS members in January 2023
- Additional Death Benefit for active employees – month's salary & \$10K for medical bills
- Two days of "Wellness Leave" for all permanent employees



# Supporting our Most Vulnerable Residents

- *The Center* – Homeless Shelter
  - Opened amid the pandemic and primarily funded with grant funds to date
  - Budget provides \$2.2M and 27 FTEs to continue operations
  - Provides overnight shelter, day services, and resources and support
  - Capacity to serve 100 adults with surge capacity of 120-150
- Crisis Intervention Team (CIT) center and Mobile Crisis Support Services
  - Provides 24/7 Mobile Crisis Support services to ensure individuals in a behavioral or mental health crisis are diverted to the behavioral health system
  - Assist persons earlier in their crisis to decrease hospitalizations and incarcerations and support better outcomes for vulnerable populations
  - \$600K and 10 FTEs



# New Office of Diversity, Equity, and Inclusion

- Proposed Budget creates the Office of Diversity Equity and Inclusion
  - Funds five new FTEs at \$350K who will join existing staff of three
- New office will aggressively pursue two specific objectives:
  - Equity in Action: Advancing equitable outcomes for Norfolk residents, neighborhoods, and businesses through policy recommendations, programming and service delivery offered throughout out city departments
  - Minority Business Advancement: Supporting the start and growth of SWaM businesses through training, one-on-one business counseling, and increased procurement opportunities.
- Budget also establishes an Economic Inclusion Grant Program
  - \$400K in annual funding
  - Grants to organizations focused on advancing SWaM businesses in Norfolk

# Business Compliance Unit

- Proposed Budget includes \$450K and 9 FTEs to establish our Business Compliance Unit (BCU)
- Focus on enforcement of compliance with conditional use permit (CUP) requirements primarily for activities that occur after-hours:
  - Nightclubs and late-night entertainment
  - Short-term rentals
- Housed in City Planning but will work across multiple city agencies
- Dual track work plan:
  - Data collection and analysis to guide preventative measures
  - After-hours enforcement

# Recreation and Library Services

- Proposed budgets are at or near pre-COVID levels
- Parks and Recreation: \$400K for additional programming including
  - Increase in NEL intern positions, Outdoor Adventure Staff, Recreation Programming, Fitness Programming
- NPL and Slover: \$950,000 for additional programming
  - \$850K in unallocated funds to develop expanded programming
  - \$100K to annualize staffing costs for Park Place Library which opened during FY 2022
- Staffing challenges have slowed expansion of programming
  - \$1.0M service capacity reserve



# Additional Enhancements in Resident Services

- New Medic Unit at Station Six
  - Mowing and Landscaping
  - Improved Pavement Markings Maintenance Cycle
  - Permanent staffing for Norfolk Works
  - Additional Norfolk Cares Advisors
- Residential Rehab Program
  - Improved FOIA Response Times
  - Additional funds for Street Resurfacing
  - Additional Seasonal Staff at Nauticus
  - New Floodplain Management Software
  - Increased funds for indigent healthcare services through EVMS



# Improving Organizational Effectiveness

- Budget funds \$4.8M and 23 FTEs to:
  - Increase organizational effectiveness
  - Make substantial progress on socio-economic goals, and
  - Enhance workplace safety

*Includes Investments In:*

<ul style="list-style-type: none"><li>• Employee Engagement</li><li>• Communication to Residents</li><li>• Real Estate Auctions</li><li>• Cash Management</li><li>• Collections and Accounts Receivable</li><li>• Financial System Management</li><li>• Additional Zookeeping Staff</li><li>• Additional NACC Animal Care Staff</li><li>• VDOT Program Management</li><li>• Evidence Management</li></ul>	<ul style="list-style-type: none"><li>• Event Services</li><li>• Engineering Project Management</li><li>• Grant Accounting</li><li>• Network Security</li><li>• Retirement Administration</li><li>• Flood Mitigation Investment Planning</li><li>• Affordable Housing</li><li>• Comprehensive Planning</li><li>• Equipment</li><li>• Renovations to Leased Space</li></ul>
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# Technology Investments



## Management and Operations Systems

- Human Services Purchase of Service System
- Cemetery Management Software
- CIP Software
- eLearning Platform
- Plan review software



## Cybersecurity, Hardware, Public Wifi

- Multi-Factor Authentication Appliances
- Server Upgrades, Network Switches, Timeclocks
- Public Wifi expansion



## Public Safety Technology

- Body worn cameras and software support suite
- Sheriff Civil Process software and server upgrades
- Cloud-based evidence storage

# Investing in Vehicles and Equipment

Replace 104 Vehicles and Equipment

- 28** Police Vehicles
- 15** Vans
- 14** Equipment Pieces
- 12** Pick-up Trucks
- 9** Refuse Trucks
- 5** SUVs
- 1** Fire Pumper Truck
- 1** Sedan





\$50.3M

Organizational Effectiveness

# FY 2023 Annual Grants Plan

*Supports 122 Positions*



## Select Grants

- Transportation & Roads
- Flood Mitigation
- Mental Health Services
- Permanent Supportive Housing
- Foster Care Services
- Victim Justice Services
- Keep Norfolk Beautiful
- Substance Abuse Services
- Public Safety Services
- Crisis Intervention Team
- Employment Services



# Proposed FY23 Capital Budget

# Capital Improvement Plan (CIP)

## Proposed FY 2023 – FY 2027 (Numbers in Millions)

Fund	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Five-Year Total
General Capital	\$141.0	\$91.7	\$106.9	\$49.1	\$47.0	\$435.6
Parking Facilities	\$22.8	\$5.2	\$3.9	\$3.9	\$3.9	\$39.7
Wastewater Utility	\$17.0	\$18.0	\$18.6	\$18.6	\$18.6	\$90.8
Storm Water Utility	\$23.0	\$17.4	\$15.2	\$12.2	\$15.7	\$83.5
Water Utility	\$35.6	\$33.0	\$33.0	\$33.0	\$33.0	\$167.6
<b>Total</b>	<b>\$239.4</b>	<b>\$165.3</b>	<b>\$177.6</b>	<b>\$116.8</b>	<b>\$118.2</b>	<b>\$817.3</b>

# Proposed CIP Details

- ARPA Neighborhood Projects funded in CIP
  - Simplifies administration and easier to track project status
  - Residents can find project information in Budget rather than a supplemental document they may not know to look for
- Total CIP about \$170M above planned primarily driven by
  - \$70M for Downtown Floodwall Project matching funds
  - \$50M for construction of a new Norfolk Fitness and Wellness Center in FY 2025
  - \$27.5M to appropriate ARPA Neighborhood Capital Projects
  - \$55M above planned for maintenance of city infrastructure
- Substantial Cash investment in CIP (ARPA, Budget Savings, SWIFT) keeps debt levels manageable
  - General Capital program has \$77M (54.7%) in cash in FY 2023 and \$161M (37.0%) planned over five years



# Chrysler Hall Update

- Primarily a maintenance project
  - Significant investment in building systems upgrades and back of the house renovations needed to continue to attract top tier acts and performers
- Post-COVID pricing update resulted in significant costs increases
  - Originally planned as a \$40M - \$50M project
  - Updated pricing closer to \$90M
- Award of \$250M for the Downtown Floodwall Project and our required \$134M match requires that we re-think existing plans
- We need partners and financial support beyond city debt to move this project forward
  - Project has been removed from the five-year CIP
  - Will support the renovation when we have a substantial commitment from our philanthropic community



# USACE Downtown Floodwall Extension

- \$385M Total Project Cost
  - \$250M Federal Funds
  - \$135M Match
- \$282M needed by FY 2024 for Berkley Bridge to Town Point Park Sections
  - \$183M Federal Funds
  - \$98M Match
- Proposed CIP includes \$70M
- \$30M request will be submitted to State CFPF grant fund.
- Improvements include
  - Levee, two pump stations, tide gates, floodwalls, living shorelines.

Location	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Berkley Bridge to Campostella		\$140,750,000					
Town Point Park/Waterside			\$140,750,000				



Living Shoreline  
Wall/Levee



# Investing in our Arts and Culture Partners



## Nauticus Capital Campaign

\$7.5 Million  
Over Six Years



## Chrysler Museum Capital Campaign

\$15 Million  
Over 10 Years  
Beginning FY 2022



## Virginia Zoo Capital Campaign

\$2 Million  
Over Four Years  
Beginning FY 2023

# Increased Funding for Facility and Infrastructure Maintenance (General Capital)

\$41.6 million over the next five years

- \$18.5 million in FY 2022

Projects include:

- Parking Garage Technology
- Fire-Rescue Facilities
- Scope/Chrysler Hall Complex
- Harbor Park
- Demolition of hazardous bridge structures
- Jail Improvements
- Bute Street Bulkhead
- Bridge Repairs and Maintenance

**Select Projects**

# FY 2023 Budget Calendar

**April 6, 2022:**

**Public Hearing: Operating, CIP, and HUD Annual Plan**

6PM at Granby High School

**April 12, 2022**

**Budget Work Session 1**

City Hall 10<sup>th</sup> Floor Conference Room

**April 19, 2022**

**Budget Work Session 2**

City Hall 10<sup>th</sup> Floor Conference Room

**April 26, 2022:**

**Budget Work Session 3**

City Hall 10<sup>th</sup> Floor Conference Room

**Public Hearing: Real Estate Reassessment**

City Council Chambers

**April 28, 2022**

**Budget Work Session 4 (If Necessary)**

City Hall 10<sup>th</sup> Floor Conference Room

**May 10, 2022**

**Budget Adoption**

City Council Chambers